



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

June 15, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *hm*
Auditor-Controller

SUBJECT: **HUB CITIES CONSORTIUM CONTRACT - WORKFORCE INVESTMENT
ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Hub Cities Consortium (Hub Cities or Agency), a Workforce Investment Act (WIA) services provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Hub Cities Consortium, a private non-profit organization to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response program provides assistance to companies that are facing a reduction in their workforce and assists the soon-to-be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Hub Cities is located in the First and Second Districts.

Hub Cities is compensated on a cost reimbursement basis. Hub Cities' contract was for approximately \$3.9 million for Fiscal Year (FY) 2005-06.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether Hub Cities complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Hub Cities did not always provide the level of services required by the County contract. Specifically, Hub Cities:

- Inappropriately billed DCSS \$39,000 during FY 2004-05 for training that occurred during FY 2005-06 which is not allowed under the terms of the contract.
- Provided monetary incentives to seven (35%) of the 20 adult and dislocated worker participants after the participants left the program. The incentives, totaling \$1,600 did not meet the federal regulations for providing such payments under the WIA program.
- Billed DCSS \$879 in unauthorized and unsupported travel expenditures.
- Did not maintain appropriate documentation for one (10%) of the ten youth participants to support the participant's income requirement.
- Did not complete the Individual Employment Plans for seven (35%) of the 20 adult and dislocated worker participants in accordance with WIA guidelines.
- Did not accurately report 12 (40%) of the 30 adult, dislocated worker, and youth participants' program activities in the Job Training Automation system.
- Did not discuss with four (40%) of the 10 youth participants sampled their Individual Service Strategy plans on a monthly basis for.

In addition, Hub Cities did not maintain the required level of insurance coverage or adequately monitor its subcontractors as required by the County contract.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Hub Cities on April 20, 2007. In their attached response Hub Cities indicated that they maintained appropriate documentation in the one

participant's case file to support the participant's eligibility. However, at our April 20, 2007, the Agency agreed that the appropriate documentation was not in the case file and agreed to provide the documentation to support the participant's eligibility. As of May 18, 2007, Hub Cities had not provided the additional documentation to support the participant's eligibility.

Hub Cities also indicated that providing incentives was the most effective method of obtaining employment information from participants who have left the WIA program. As such, Hub Cities requested that we remove the \$1,600 repayment recommendation. However, providing incentives to encourage the participants to provide the Agency with copies of paycheck stubs does not comply with the program requirements. Accordingly, Hub Cities needs to repay DCSS \$1,600.

Hub Cities disagreed with the prior year's monitoring recommendation requiring the Agency to obtain written approval from DCSS to lease a copier that cost over \$5,000, indicating that leases do not require prior approval. The County contract requires a prior approval from DCSS for any purchase or lease of equipment costing over \$5,000 or more per unit.

We notified DCSS of the results of our review. We will follow up on our recommendations during next year's monitoring review. We thank Hub Cities for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
J. V. Kennelly, Executive Director, Hub Cities Consortium
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
HUB CITIES CONSORTIUM
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Hub Cities Consortium (Hub Cities or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We judgmentally sampled 30 (4%) participants (ten adults, ten dislocated workers, and ten youths) from a total of 770 participants that received services between July 2005 and March 2006. We reviewed the case files for documentation to confirm their eligibility for WIA services.

Results

All 20 adult and dislocated worker participants met the eligibility requirements for the WIA programs. However, Hub Cities did not maintain appropriate documentation for one (10%) of the ten youth participants to support the participant's eligibility to receive program services. Specifically, Hub Cities did not maintain documentation to support the participant's income requirement. Although Hub Cities did not provide direct services, such as supportive services and incentives, to the ineligible individual, the Agency may have incurred indirect costs associated with providing program services to the ineligible participant, such as staff time.

Recommendations

Hub Cities management:

- 1. Determine the amount charged to Department of Community and Senior Services (DCSS) for the ineligible participant and repay DCSS for any indirect costs associated with providing program services to the ineligible participant.**
- 2. Ensure that staff obtain the appropriate documentation from participants to determine the participants' eligibility for services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether Hub Cities provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (4%) participants that received services during July 2005 through March 2006. We also interviewed twelve adult and dislocated worker participants and six youth participants/guardians.

Results**Adult and Dislocated Worker Programs**

The twelve participants interviewed stated that the services received met their expectations. However, Hub Cities provided monetary incentives to seven (35%) of the 20 participants after the participants left the programs. The incentives totaled \$1,600. According to Agency personnel, incentives such as gift cards to JC Penny, Target, Wal-Mart and Shell were provided to the participants for providing proof of employment after leaving the WIA programs. According to federal regulations, incentives should only be provided to participants currently enrolled in the programs or when it is deemed necessary and reasonable to enable individuals to participate in WIA activities.

In addition, Hub Cities did not always provide the level of services required by the County contract. Specifically, Hub Cities:

- Did not complete Individual Employment Plans (IEPs) for seven (35%) of the 20 participants in accordance with WIA guidelines. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.
- Did not maintain copies of certificates of completion for three (15%) of the 20 participants' case files to document the participants' completion of training courses.
- Did not accurately report three (15%) of the 20 participants' program activities in the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Youth Program

The six participants/guardians interviewed stated that the services the participants received met their expectations. However, Hub Cities did not always provide the level of services required by the County contract. Specifically, Hub Cities:

- Did not discuss the Individual Service Strategy (ISS) plans with four (40%) of the 10 youth participants sampled on a monthly basis as required. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals.
- Did not report nine (90%) of the 10 youth participants' program activities into the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations**Hub Cities management:**

3. **Repay DCSS \$1,600.**
4. **Provide incentives only to eligible participants currently enrolled in the WIA programs and when it is deemed necessary and reasonable to enable the individuals to participant in WIA activities.**
5. **Ensure that staff complete the IEPs for Adult and Dislocated Worker participants.**
6. **Ensure that certifications of completion are maintained in the participants' case files for training courses completed.**
7. **Ensure that staff accurately update the JTA system to reflect the participants' activities.**
8. **Ensure that staff discuss ISS plan with youth participants on a monthly basis.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's February 2006 bank reconciliation.

Results

Hub Cities maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation for 11 non-payroll expenditures transactions billed by the Agency for September 2005, totaling \$143,896.

Results

Hub Cities' employees did not obtain proper approval or provide adequate information on their mileage claims to support mileage expenditures for September 2005, totaling \$879. Specifically, the mileage claims were not signed by the supervisors and the employees' names were not identified on the claims. In addition, the employees did not provide the odometer readings, the points of origins and destinations to support the travel expenditures.

Recommendations

Hub Cities management:

- 9. Repay DCSS \$879.**
- 10. Ensure that travel expenses are approved and supported with fully completed mileage claims that provide adequate information to support the travel expenditures.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed three Agency personnel, reviewed the Agency's policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Hub Cities did not always comply with County contract requirements. Specifically:

- Hub Cities did not maintain the required level of Workers' Compensation and Personal Property insurance coverage. In addition, Hub Cities' insurance policy had a 10-day advance written notice of termination. The County contract requires a 30 day advance written notice of termination.
- Hub Cities did not have monitoring policies in place or adequately monitor its subcontractors to ensure that the subcontractors are in compliance with County contract requirements.
- Hub Cities did not obtain a fire inspection of their facility.
- Hub Cities did not perform a fair market assessment for the facility it currently leases. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.

In addition, Hub Cities' accounting and procurement policies and procedures manuals were not in compliance with regulatory guidelines.

Recommendations**Hub Cities management:**

- 11. Obtain the required level of insurance coverage and ensure that the insurance policies meet the County contract requirements.**
- 12. Establish policies and procedures for monitoring the subcontractors and adequately monitor the subcontractors to ensure they are in compliance with County contract requirements.**

13. Obtain a fire inspection.
14. Conduct a fair market assessment for leased facilities.
15. Ensure that the Agency's accounting and procurement policies and procedures manuals are in compliance with the regulatory guidelines.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Hub Cities' fixed assets and equipment purchased with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 17 (4%) of the 457 items purchased with WIA funds, totaling \$68,731.

Results

Hub Cities used the equipment purchased with WIA funding for the WIA programs and the equipment was appropriately safeguarded. However, Hub Cities did not properly tag the 17 items sampled with County tags as required by the County contract. Hub Cities indicated that they did not attach County tags to any of the 457 items purchased with WIA funds.

Recommendation

16. Hub Cities management ensure that equipment purchased with WIA funding is properly tagged.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for 21 employees in February 2006, totaling \$98,342, to the payroll records and time reports. We also interviewed three employees and reviewed the personnel files for eleven employees assigned to the WIA programs.

*AUDITOR-CONTROLLER
COUNTY OF LOS ANGELES*

Results

Generally, Hub Cities appropriately charged payroll expenditures to the WIA programs. However, supervisors' signatures were not obtained on three (9%) of the 33 timecards submitted for February 2006. In addition, two (9%) of the 21 employees inappropriately used prior year fund codes on their timecards.

Hub Cities also did not always maintain the required documents in the employees' personnel files as required. Specifically, Hub Cities:

- Did not conduct performance evaluations on an annual basis for three (27%) of the 11 employees assigned to administer the WIA programs. The last performance evaluation for one employee was completed in July 2002 and January 2005 for the remaining two employees.
- Did not obtain the signatures of both the employee and supervisor on the performance evaluations for four (36%) of the 11 employees.
- Did not maintain proof of auto insurance in six (55%) of the 11 employees' personnel files or copies of valid drivers' licenses in two (18%) of the eleven employees' personnel files. Subsequent to our review, Hub Cities provided proof of auto insurance and valid driver's licenses for five of the six employees.

Recommendations**Hub Cities management:**

- 17. Ensure that employees' timecards are reviewed for accuracy and approved by the employees' supervisors.**
- 18. Ensure that annual performance evaluations are conducted and signed by both the employee and supervisor in a timely manner.**
- 19. Ensure that personnel files are kept current with the required documentation.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed Hub Cities' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during July, August and September 2005 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Hub Cities' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2004-05 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed Hub Cities' FY 2004-05 General Ledger total to the Agency's final close-out invoice for FY 2004-05.

Results

Hub Cities included \$39,000 for training on the FY 2004-05 close-out invoice. However, the training occurred during FY 2006-07. According to Agency management, the payment was made in FY 2004-05 to enroll its youth participants in a college preparation training course to be held in FY 2005-06. According to the agreement between Hub Cities and the contractor, the payment was not required until ten days after the completion of the training course. As a result, Hub Cities billed DCSS \$39,000 for FY 2004-05 which is not allowed under the terms of the contract.

Recommendations

Hub Cities management:

- 20. Repay DCSS \$39,000, or obtain approval from DCSS for the advance payment.**
- 21. Request reimbursement only for actual expenditures incurred during the program year.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from FY 2004-05 monitoring review were implemented. The report was issued in May 2005.

Results

The prior monitoring report contained six recommendations. Hub Cities implemented five recommendations. The remaining recommendation required the Agency to obtain written approval from DCSS to lease a copier that cost over \$5,000.

Recommendation

22. Hub Cities management implement the outstanding recommendation from FY 2004-05 monitoring report.



May 11, 2007

Jeff Kennelly
Executive Director

Board of Directors

David Silva
Chairman

Maria Devito
Vice-Chairman

Louis Byrd

Ofelia Hernandez

Thomas Martin

Gerardo Pineda

Serving the Residents of:

Cudahy

Huntington Park

Lynwood

Maywood

South Gate

Ms. Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Building A-9 East, First Floor
Alhambra, CA 91803

Hub Cities Consortium respectfully submits the following corrective action plan for the year 2005-2006, On-Site Review dated May 2007.

Name and address of accounting firm:

County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803

Audit Period:

July 2005 – June 2006

The findings from the 2005-2006 schedules of findings and questioned costs are discussed below. The findings are consistent with the order assigned in the schedule.



HUB CITIES CONSORTIUM A Public Entity

2677 Zee Avenue • Second Floor • Huntington Park, CA 90255 • PHONE 323.586.4700 • FAX 323.586.4702 • www.hubcities.org

ELIGIBILITY

Results

All 20 adult and dislocated worker participants met the eligibility requirements for the WIA programs. However, Hub Cities did not maintain appropriate documentation for one (10%) of the ten youth participants to support the participant's eligibility to receive program services. Specifically, Hub Cities did not maintain documentation to support the participant's income requirement. Although Hub Cities did not provide direct services, such as supportive services and incentives, to the ineligible individual, the Agency may have incurred indirect costs associated with providing program services to the ineligible participant, such as staff time.

Recommendations

Hub Cities management:

1. Determine the amount charged to the Department of Community and Senior Services (DCSS) for the ineligible participants and repay DCSS for any indirect costs associated with providing program services to the ineligible participant.
2. Ensure that staff obtains the appropriate documentation from participants to determine the participants' eligibility for services prior to enrollment.

Response

Hub Cities did ensure that the appropriate documentations were obtained for the participant's eligibility. Hub Cities received a corroborative statement from participant's parent indicating that she only provides room and board for the participant. Also, the participant stated that he was unemployed at the time of eligibility. Both written statements can be found in the participant's file.

BILLED SERVICES/CLIENT VERIFICATION

Results

The twelve participants interviewed stated that the services received met their expectations. However, Hub Cities provided incentives to seven (35%) of the 20 participants after the participants left the programs. The incentives totaled \$1,600. According to Agency personnel, incentives, such as gift cards to JC Penny, Target, Walmart and Shell were provided to the participants for providing proof of employment after leaving the WIA programs. However, according to federal regulations, incentives should only be provided to participants currently enrolled in the programs and when it is deemed necessary and reasonable to enable individuals to participate in WIA activities.

- Did not complete Individual Employment Plans (IEPs) for seven (35%) of the 20 participants in accordance with WIA guidelines. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.
- Did not maintain copies of certificates of completion for three (15%) of the 20 participants' case files to document the participants' completion of training courses.
- Did not accurately report three (15%) of the 20 participants' program activity in the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Youth Program

- Did not discuss Individual Service Strategy (ISS) plans with four (40%) of the 10 youth participants sampled on a monthly basis as required. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals.
- Did not report nine (90%) of the 10 youth participants' program activities into the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations

Hub Cities management:

3. Repay DCSS \$1,600.
4. Provide incentives only to eligible participants currently enrolled in the WIA programs and when it is deemed necessary and reasonable to enable the individuals to participate in WIA activities.
5. Ensure that staff complete the IEPs for Adult and Dislocated Worker participants.
6. Ensure that certifications of completion are maintained in the participants' case files for training courses completed.
7. Ensure that staff accurately updates the JTA system to reflect the participants' activities.
8. Ensure that incentives are only provided to those participants currently enrolled in the program.
9. Ensure that staff discuss ISS plan with youth participants on a monthly basis.

Response for Recommendations 5, 6, 7 and 9

- *Hub Cities has acknowledged your recommendations and will make the necessary corrections to comply with the county contract requirements. As of your last visit Hub Cities has corrected all recommendations (IEP, Certifications of Completion, JTA system and ISS plan.).*

Response for Recommendations 3, 4 and 8

- *When participants are exited and enter into their twelve month follow-up and retention activity, it is necessary to acquire and verify their most up-to-date employment information during this time period. The longer participants are employed, the less responsive they are to phone or mail contact.*

METHODS SUCH AS:

- *Contacting participant Employers continually over a twelve month period can be troublesome and possibly jeopardize the relationship between the business and One Stop Business Representative.*

- *EDD employment records are accessible six months after occurrence. Their data does not indicate whether participant are still employed or has become unemployed during the prior six (6) months; so it is nearly impossible for EDD to validate participant's current employment or wage information.*

Providing 'incentives' to participants has proved to be the most affective method to consistently obtain current and wage information during their twelve month follow-up and retention activity. Hub Cities requests to dismiss recommendation #3 on the basis explained above

EXPENDITURES/PROCUREMENT

Results

Hub Cities' employees did not obtain proper approval or provide adequate information on their mileage claims to support the mileage expenses for September 2005, totaling \$879. Specially, the mileage claims were not signed by the supervisors and the employees' names were not identified on the claims. In addition, the employees' did not provide the odometer readings or the points of origins and destinations to support the travel expenses.

Recommendations

Hub Cities management:

10. Repay DCSS \$879

11. Ensure that travel expenses are approved and supported with mileage claims that provide adequate information to support the travel expenses.

Response

Hub Cities has corrected the mileage claims in question by obtaining the proper approvals and including the points of origin and destinations to support the travel expenses. Hub Cities is also implementing a new mileage claim that will support miles travel. Hub Cities requests that the \$879 in question be dismiss by the corrections made to the mileage claims and the implementation of the new mileage claim.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Results

Hub Cities did not always comply with County contract requirements. Specifically:

- Hub Cities did not maintain the required level of Workers' Compensation and Personal Property insurance coverage. In addition, Hub Cities' insurance policy had a 10-day advance written notice of termination. The County contract requires a 30 day advance written notice of termination.
- Hub Cities did not have monitoring policies in place, or adequately monitor its subcontractors to ensure that the subcontractors are in compliance with County contract requirements.
- Hub Cities did not perform a fire inspection.
- Hub Cities did not perform a fair market assessment for the facility it currently leases. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.

In addition, Hub Cities' accounting and procurement policies and procedures manuals were not in compliance with regulatory guidelines.

Recommendations

Hub Cities management:

- 12. Obtain the required level of insurance coverage and ensure that the insurance policies meet the County contract requirements.**
- 13. Establish policies and procedures for monitoring the subcontractors and adequately monitor the subcontractors to ensure they are in compliance with County contract requirements.**
- 14. Perform a fire inspection.**
- 15. Conduct a fair market assessment for leased facilities.**
- 16. Ensure that the Agency's accounting and procurement policies and procedures manuals are in compliance with the regulatory guidelines.**

Response

- *Hub Cities has acknowledged your recommendations and will make the necessary corrections to comply with the county contract requirements. As of your last visit;*
 - *Hub Cities has upgraded the level of Workers' Compensation and Personal Property insurance coverage, Hub Cities has also change the 30 day advance written notice of termination.*
 - *Hub Cities has placed adequate monitoring policies and procedures in order to ensure that subcontractors are in compliance with County contract requirements.*
 - *Hub Cities has performed a fire inspection and has requested proper credentials to sustain recommendation.*
 - *Hub Cities has procedures in place to ensure that the Agency's accounting and procurement policies and procedures manuals are in compliance with the regulatory guidelines.*

FIXED ASSETS AND EQUIPMENT

Results

Hub Cities used the equipment purchased with WIA funding for the WIA programs and the equipment purchased were safeguarded. However, Hub Cities did not properly tag the 17 items sampled with County tags as required by the County contract. Hub Cities indicated that they did not attach County tags to any of the 457 items purchased with WIA funds.

Recommendation

17. Hub Cities management ensures that equipment is properly tagged.

Response

- *Hub Cities has acknowledged your recommendations and will make the necessary corrections to comply with the county contract requirements.*

PAYROLL AND PERSONNEL

Results

Generally, Hub Cities appropriately charged payroll expenses to the WIA programs. However, the supervisors' signatures were not obtained on three (9%) of the 33 timecards submitted for February 2006. In addition, two (9%) of the 21 employees inappropriately used prior year's fund codes on their timecards.

Hub Cities also did not always maintain the required documents in the employees' personnel files as required. Specifically, Hub Cities:

- Did not conduct performance evaluations on an annual basis for three (27%) of the eleven employees assigned to administer the WIA programs. The last performance evaluation for one employee was completed in July 2002 and January 2005 for the remaining two employees.
- Obtain the signatures of both the employee and supervisor on the performance evaluations for four (36%) of the 11 employees.
- Maintain proof of auto insurance in six (55%) of the 11 employees' personnel files or copies of valid driver's licenses in two (18%) of the eleven employees' personnel files.

Subsequent to our review, Hub Cities provided proof of auto insurance and valid driver's licenses for five of the six employees.

Recommendations

Hub Cities management:

- 18. Ensure that employees' timecards are reviewed for accuracy and approved by the employees' supervisors.**
- 19. Ensure that annual performance evaluations are conducted and signed by both the employee and supervisor in a timely manner.**
- 20. Ensure that personnel files are kept current with the required documentation.**

Response

- *Hub Cities has acknowledged your recommendations and will make the necessary corrections to ensure that employee timecards are reviewed and approved by the employee supervisor. Hub Cities will also ensure that all performance evaluations are conducted in a timely manner as well as ensure that the personnel files are kept with the required documentation.*

CLOSE-OUT REVIEW

Results

Hub Cities included \$39,000 for training expenses incurred in FY 2005-06 on the FY 2004-05 close-out invoices. According to Agency management, the payment was made in FY 2004-05 to enroll its youth participants in a college preparation training course to be held in FY 2005-06. However, according to the agreement between Hub Cities and the contractor, neither a deposit nor payment was required until ten days after the completion of the training course. As a result, Hub Cities over billed DCSS \$39,000 for FY 2004-05.

Recommendations

Hub Cities management:

- 21. Repay DCSS \$39,000, or obtain approval from DCSS for the advance payment.**
- 22. Request reimbursement for actual expenditures incurred during the program year.**

Response

- *Hub Cities will request an approval from DCSS on the \$39,000 payment to the University Of New Mexico.*

PRIOR YEAR FOLLOW-UP

Results

The prior monitoring report contained six recommendations. Hub Cities implemented five recommendations. The remaining recommendation required the Agency to obtain written approval from DCSS to lease a copier that cost over \$5,000.

Recommendation

23. Hub Cities management implements the outstanding recommendation from FY 2004-05 monitoring report.

Response

- *Hub Cities submitted Equipment bulletins and Directives to CSS which list multiple regulations from CSS, State and Department of Labor, the list contains 16 attachments from February 1999 thru 2004 and none of this 16 sources required leases to have prior approval from CSS, State or Department of Labor.*

If you have any questions regarding this matter please feel free to call me at (323)586-4716. Thank you.

Sincerely,

Jorge Galvez
Financial Manager